

ee Georgy: Bruc Pts  
Nott Ind: Steel Pt 11

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PRIME MINISTER

PNQ AND STATEMENTS

This afternoon John Nott answered a PNQ from Teddy Taylor about the French sale of Exocets to Argentina, Patrick Jenkin made a statement on the informal industry council on steel, and Nigel Lawson made a statement about the Britoil offer for sale. I think Patrick Jenkin had the easiest ride. John Nott faced some outrage from the Government backbenches, and the Opposition were determined to shout and hoot at Nigel Lawson.

Exocets

John Nott argued that our defence capability in the Falklands, and especially our early warning systems, were sufficient to ensure their protection. The Government regretted the French action since there was no formal cessation of hostilities, and our views had been made clear to the French. On the other hand, they could be said to be simply honouring long-standing contracts. On the sale of Rolls Royce engines to the FRG for frigates destined for Argentina, Mr. Nott said that the Government would naturally be concerned if these frigates were to be delivered soon. But again this was a long-standing contract with a major NATO ally and trading partner. All Governments, including the last Labour Government, had traded in arms. It would be very difficult to control this trade through NATO, as Mr. Silkin suggested.

Tam Dalyell raised the old story of the seven hour telephone conversation between an Aero-Spatiale executive and the Argentines, but Mr. Nott said that these reports had never been confirmed, and that he was satisfied that France had supported us fully over the Falklands.

Towards the end of the questioning, Frank Allaun asked Mr. Nott why he regretted the French decision to export Exocets, while at the same time allowing the export of Rolls Royce engines. He also argued that "long-standing contracts" like these had surely

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been overtaken by the hostilities. In answer, Mr. Nott repeated that these were long-standing contracts, and that the FRG had been told we regretted their contract to supply frigates. This was not very well received by the House. Peter Viggers repeated that there was no end to the hostilities, and said that we must ensure that the missiles did not arrive. Bernard Braine made the same point. Mr. Nott argued that he had only seen reports of missiles being shipped, and that these had not been confirmed.

### Steel

Mr. Jenkin was committed to make this statement because the Opposition had called for a statement, if not a debate, on last week's closures. Stan Orme, leading for the Opposition, said that Mr. Jenkin's statement was merely words and no action. The UK was bearing the brunt of the closures in Europe. Community imports now accounted for two-thirds of total steel imports into the UK. Third country imports were growing. The industry needed protection. He called for an assurance that there would be no closure of any of the five integrated steel plants. He urged the Government to provide money to maintain capacity in the steel industry.

Patrick Jenkin pointed out that the meeting last week had been an informal council, and that it was not in the business of making firm proposals for action. It had, however, allowed him to say that the UK would make no more sacrifices in meeting capacity reductions in Europe. The Commission would be putting forward formal proposals shortly on the enforcement of price rules. The Foreign Affairs Council had agreed a negotiating mandate on voluntary restraint arrangements on imports from third countries. He would not be drawn on closures. He would make a statement before Christmas. The industry needed to be competitive, and it was the function of the BSC Board to restore the Corporation to viability. He would not stand in the way of capacity reductions, unless these raised a question mark over the future of the five major plants. The Government would have to be involved in any decision on these plants.

Most of the questioning concentrated on the inadequacy of the Commission's response to the problems facing the steel industries, and the recent closures at Craig Neuk and Round Oak were given as examples. There were also accusations that other members of the Community were cheating on the rules, particularly on prices. But, to some extent, the House recognised that they could not have expected firm decisions from last week's meeting.

#### Britoil

Merlyn Rees said that Amersham had been over-subscribed by 23 times, and that Britoil had been under-subscribed by 70%. This showed that Mr. Lawson did not understand the workings of the free market. Mr. Lawson had claimed that Britoil was a strong soundly based company, but clearly the City did not agree with him. The small shareholders who had bought shares would lose from this sale. It was an absurd way to value the nation's assets. There should be a Select Committee inquiry and a full debate, and Nigel Lawson should resign.

Nigel Lawson had to struggle to make himself heard over the hooting of the Opposition, which became all the louder when he said he would not resort to abuse. He said he would welcome a PAC inquiry. Less than a week ago the Opposition had said the sale would be "a City rip-off". Now they complained when the shares were left with the underwriters. There was always a risk in an offer for sale. That is why he had gone to such pains to have this one underwritten. He quoted Merlyn Rees as having said "There is no need for underwriting. It would not matter in the short run if all the shares were not sold". There were always changes of sentiment in the nine or ten days between the announcement of the sale and the closing date for applications. He quoted Lord Kearton who considered that the sale was "not managed badly at all".

In questions, the Opposition simply continued to paint the sale as a failure, and called for Parliamentary scrutiny. The Government backbenches accused the Opposition of having caused the under-subscription by talking down the sale; they drew

attention to Sheikh Yamani's unhelpful remarks, and pointed out that a fixed price sale would probably have been under-subscribed as well.

Merlyn Rees wound up by claiming that he had never objected to the underwriting, which allowed Mr. Lawson to have another go at him. He accused the Opposition of hypocrisy: they had been horrified at the prospect of "a City rip-off", now they were horrified when the City had itself paid a good price for the taxpayer.

If for WFSR